

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. POE) is recognized for 5 minutes.

(Mr. POE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

GOVERNMENT FAILS WHEN WE IGNORE CONSTITUTION

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from North Carolina (Ms. FOXX) is recognized for 5 minutes.

Ms. FOXX. Mr. Speaker, this week we have been focused on what has been described as the most critical situation facing our economic status in our country since World War II. The liberals/Democrats say it is a failure of the markets. It is not a failure of the markets. It is a failure of our government. It is caused by ignoring the Constitution and by getting the Federal Government involved in things it should not be involved in.

If we are about to allow the very people who got us into this mess by promoting the bad policies, especially Fannie Mae and Freddie Mac, to design the cure, then in common parlance, we are about to let the fox guard the hen house.

Another point that needs to be made relative to this situation is that the Democrats in the House have been doing their best to blame House Republicans for the fact that a bill to solve this problem was not passed this week. What has to be said over and over again is that the Democrats are in charge, in control, of both Houses of Congress. They can pass any bill they want without a single Republican vote and have done so on hundreds of bills in the past 20 months, including several times today.

But suddenly, the Democrats want to make this situation the responsibility of the Republicans. Most Republicans want to have no part of any further slide into socialism that the legislation the Democrats are likely to present to us will represent.

The Republicans have presented alternatives that will not be allowed to be considered. But like many of my colleagues, I feel that God holds us guilty for sins of omission as well as sins of commission. Therefore, I think it is important that we raise the issues, that we discuss the situation, and that we present alternatives.

One very thoughtful person has given us the benefit of his wisdom and advice in this situation, and that person is John Allison, chairman and CEO of the very successful Branch Banking & Trust, known as BB&T, which is headquartered in Winston-Salem, North Carolina. I will share some of his comments and put into the RECORD his letter of September 26.

The letter is addressed to me.

"Unfortunately, while under normal circumstances, there would be a free market solution, given the publicity

and psychological mindset which is being created, Congress not acting is extraordinarily risky. Therefore, an alternative to the Paulson plan must be developed. A much more effective, far less expensive solution to the financial crisis than the Treasury Secretary presented is outlined below."

As I said, I won't read all of the letter, but I want to highlight some important points. He underlines these, and I do, too.

"Without Freddie Mac and Fannie Mae and the affordable housing program (subprime), we could never have made a misallocation of capital of this magnitude."

Again, Mr. Speaker, the problem lays directly with the Democrats who pushed Fannie and Freddie and refused to allow Republicans when they wanted to bring them under control. Let me share the end of his letter.

"By the way, the reason Bernanke and Paulson cannot see the solution is they are making a fundamental epistemological (thinking) error. Bernanke is thinking from economic theory and Paulson is thinking from a capital market theoretical perspective. To solve the problem, we have to deal with the real physical world, i.e., the fact that there is a physical inventory of houses that needs to be cleared, and we must grasp what motivates real individuals (not theoretical collectives) to act.

"A carefully designed housing tax credit and ending fair value accounting (as currently implemented) will fix the real estate markets, capital markets and the economy. This program will likely actually increase tax revenue by stimulating the economy by increasing taxable income. There is likely to be net gain to the government.

"I hope you will give this issue serious consideration."

We have solutions available to us if we will follow them.

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. WOOLSEY) is recognized for 5 minutes.

(Ms. WOOLSEY addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from North Carolina (Mr. JONES) is recognized for 5 minutes.

(Mr. JONES addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

DEAL OR NO DEAL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Jersey (Mr. GARRETT) is recognized for 5 minutes.

Mr. GARRETT of New Jersey. Mr. Speaker, I come to the floor to follow the gentlewoman from North Carolina (Ms. FOXX) and address the issue of the

bailout. She started her talk with deal or no deal. There was talk in the media that there was a deal. We heard from Senator DODD and the chairman of our committee and other leaders on the other side of the aisle yesterday that there was a deal. Unfortunately, the fact of the matter was that there may have been a deal between themselves and the White House, there was no deal obviously to bring the bill to the floor, or at 8 or 9 at night, we would have seen the Speaker of the House bring the bill to the floor. That is evidence of the fact that there never was a deal.

We do know the fact is we have a serious problem in this country, a problem that must be addressed now, a problem which requires both sides coming together to try to find the solution to the problem.

As the previous speaker said, there are alternative solutions on the table, solutions that economists and business schools across the country have come behind and said can be the credible solution and one which would not put the taxpayers of the country on the hook.

I would suggest that one way of coming to a solution is to decide that we are not going to go back to those same people who helped bring us to this problem in the first place.

One of the underlying problems that brought us to this situation is the fact that there was easy money in the economy for too long a period of time. From 2001 to 2004, interest rates slid from 6 percent all of the way down to 1 percent of the Fed's fund rate. There was an expression used of the Greenspan put, if you will, as far as trying to boost the economy and Wall Street all during that time.

Then that was followed from a switch turnaround from 2004 to 2007 where the interest rates shot up from 1 percent up to 5½ percent. Let me suggest to you that those higher interest rates have been reflected in the housing market today, and will be potentially affected due to a lag time to other sections of the economy later. And that is another reason why we should not engage and support a measure as has been proposed by the White House and the other side of the aisle of spending \$700 billion or anywhere near that amount of money that would put the taxpayers on hook because we can anticipate future problems due to that tightening up of the credit market by the Fed.

□ 2045

Now, another area where we should not go back to the same people who helped bring us to this problem are those very same people who helped exacerbate the problem by their misregulation of the GSEs. The GSEs, what are they? They are your Fannie Mae and Freddie Mac.

Those entities that supply the credit for about half of the mortgages in this country were allowed to grow out of control and to grow too large to fail and to grow to such an extent that there was systemic risk in this country

and in the marketplaces that brought us to where we are today with the crisis we are facing.

Now, this is something that was not unpredicted and not unforeseen. Our own administration came to this Congress in 2002, 2003, 2004, and 2005, in their budget requests and elsewhere, making pleas to this Congress to try to put in some regulation. "World-class regulators" is what they called them. Secretary Snow came to the Financial Services Committee and made that request and said we should have regulation. However, we were thwarted on every front. The current chairman of the Financial Services Committee was one who stood and said we should not do so.

I went back and looked into what the record of this was in 2005 to see what my position was on it and to read what I said on it. At that time in 2005, the gentleman from California (Mr. ROYCE) suggested that we could begin the process of reining in the GSEs so as to avoid systemic risk in this country with regard to them and avoid a future crisis. He put in an amendment to the bill to provide and to prevent systemic risk.

I came down to the floor to support the gentleman from California (Mr. ROYCE) in his amendment. At that time, I said that I rise in support of this legislation which strengthens the language with regard to portfolios and GSEs. I indicated that GSEs claimed that they are shock absorbers. This line is somewhat ironic today. The GSEs claimed back in 2005 that they were shock absorbers to the system and that one of the main reasons that Fannie and Freddie claimed they should not have portfolio limits was that they provided a stable means of support for the residential financial market in times of crisis. How ironic that they were claiming that they could be of help in a time of crisis when, in fact, they are what have now brought us to this time of crisis.

Back in 2005, Fannie's CEO, Dan Mudd, testified: "Our mortgage portfolios allow us to play a shock-absorbing function for the finance system during times of potential difficulty." Well, there is no function that they're serving now except that they are causing the difficulty.

This week, they said Freddie's president, Eugene McQuade, was quoted as saying: "The enterprises provide a source of stability to the market, mortgage, finance system."

With that, Mr. Speaker, I would just like to conclude by saying that the problems that the GSEs have brought us to today—although we were warned by the administration and although many saw it and many people from this side of the aisle—were because of the failure to implement those regulations on a timely basis. We'll discuss this further at a later date.

The SPEAKER pro tempore. Under a previous order of the House, the gen-

tleman from Oregon (Mr. DEFAZIO) is recognized for 5 minutes.

(Mr. DEFAZIO addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. BURTON) is recognized for 5 minutes.

(Mr. BURTON of Indiana addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

UP-ARMORED HUMVEES AND THE PROTECTION OF AMERICAN SOLDIERS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. HUNTER) is recognized for 5 minutes.

Mr. HUNTER. Mr. Speaker, I thought it might be appropriate at this time, when all of our focus is on the financial crises, to remember that we have just now passed the defense bill out of the House. It is awaiting passage in the Senate. At this time, we have Americans fighting in two theaters of action in Afghanistan and in Iraq, and their protection is paramount to the people of the United States, to this body and, of course, to the Armed Services Committee.

I thought it might be appropriate to talk about the precedent that has been established by the Armed Services Committee and by some great staff people on the Armed Services Committee who have helped to ensure that more Americans are protected earlier than they otherwise would have been in the conflicts in Iraq and Afghanistan.

We just passed the House bill in very difficult circumstances under the great leadership of IKE SKELTON. His staff director, Erin Conaton, is doing a wonderful job, and the minority director, Bob Simmons, is also doing a wonderful job. With their guidance and with the team of staff members behind them and helping them, we managed to get a very complex bill through the House floor very quickly.

Back in 2004, we were seeing the roadside bombs increase in Iraq, and we started to see increased casualties WIA, wounded in action, and KIA, killed in action. We were seeing those increased figures flowing out of that combat theater as the insurgents placed more and more bombs along the roadside.

We moved very quickly on the Armed Services Committee to get as many armored vehicles, up-armored vehicles, known as up-armored Humvees, into that theater as possible. In 2004, we looked at the plan, the blueprint, to get the 7,000 up-armored vehicles over there very quickly so that soldiers and marines in places like Mosul and Tikrit and Fallujah could have up-armored vehicles. We thought that that schedule took too long and that we saw those 7,000 vehicles coming into country around the end of the year in 2004.

So our great staff director, Bob Simmons, who had been an industrialist, who had been a CEO of an aerospace company in San Diego and who had known how to move components and how to move people quickly to get a product finished, went to the Army and asked them why their schedule was as long as it was. They said, you know, we think the driving factor here is the steel. Our schedule for receiving the steel is such that it's not going to be until the end of the year when we get these up-armored Humvees, these protective vehicles, into theater.

So Bob Simmons said, "Why?" like any good CEO. They said it was the steel production.

So he went to the steel companies, and he asked them, "Why can't you put on more shifts and get this steel produced earlier and get it out to the Army and get those Humvees over there?" They said, "You know, we don't think we can get another shift on here, and we don't think that the unions will help us here or will comply with adding another shift to the time schedule."

So Mr. Simmons said, "Let me talk to the union leaders," and he sat down with the union leaders, and our great staff director talked to them about what was happening in Iraq. They said, "You know, we have kids in Iraq, and we'll put on another shift, and we'll get that steel out."

As a result of this, we accelerated the steel to the Army and to the Humvee makers, and we got those Humvees up-armored with more steel between those roadside blasts and those marines and soldiers inside those vehicles. We got those 7,000 Humvees into theater 7 months ahead of time.

I want to just say, Mr. Speaker, that it's a blessing to have those honest brokers—those great staff members like Mr. Simmons—and like his great team. I'll just mention a couple of them who worked this issue. John Wason was one of our great team members. Jesse Tolleson is another one. Steve DeTeresa is another.

You know, Steve DeTeresa with his team, in working with Lawrence Livermore and in working with DARPA, actually moved the first heavily armored trucks into Iraq, some 130 trucks that were double-hulled, that had two layers of steel and that had a layer of an inch and a quarter of what we call E-glass on the inside of that steel. I've seen some of those trucks that were hit with massive IEDs, with massive roadside bombs, and I've read letters back from the people who drove those trucks, saying, "Our lives were saved because of the steel on those trucks." To my knowledge, none of those 130 or so trucks that were directed to be built by the Armed Services Committee were ever penetrated by fragment from roadside bombs.

So thanks to Mr. Simmons and to his great team and to all of his wonderful staff folks on the Armed Services Committee.